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CARTELS DURING THE WAR

“Trade combination” has become a shibboleth of our modern captains of industry. Never before in the history of trade and industry has there been a tendency toward co-operation of economic interests on anything approaching the scale of that which is taking place at the present time. The unprecedented and intensive economic mobilization in the leading commercial countries since the beginning of the war has given a quickened impetus to this joining of economic resources among nations as well as within more restricted national limits among producers, distributors, and consumers. While it is true that this movement toward syndication has crystallized to a large extent around temporary war measures, which will terminate at the end of the war, numerous other forms of economic co-operation and syndication of a monopolistic nature have grown up which must be recognized as permanent institutions. Unquestionably this whole modern movement, covering temporary as well as permanent tendencies of monopolistic control, will exercise a marked influence upon national and international commerce and trade in the future. Nationalization of industries, government control and regulation of trade, and voluntary and compulsory trade associations are subjects which the war has shifted from the realm of theory into that of actual experience on a scale that would have appeared

visionary but a decade ago. The world-wide publicity and attention given to this phase of war-time economics is bound to produce permanent results of far-reaching effect.

In the following survey of significant trends in the evolution of cartels, syndicates, trusts, and state monopolies during the war attention will be given primarily to typical developments of a permanent character. Temporary war measures will be discussed only in so far as they are symptomatic of a universal tendency toward syndication and may ultimately lead to other permanent forms of monopoly.

WHY TRADE COMBINATIONS HAVE INCREASED DURING THE WAR

In the years before the war the desire to establish uniform prices and to avoid competition within an industry or a trade was, on the whole, the main motive that actuated producers and dealers to form cartels, syndicates, or trusts. The great increase in the number of trade combinations during the war is due to a number of other considerations which have grown out of war-time conditions. They vary somewhat in the different countries. In Germany and Austria the dearth of raw materials and the necessity of finding suitable substitutes acted as a stimulus for closer co-operation within certain industries which, before the war, procured their supply of raw materials from foreign countries. Thus, in the year 1915, the need of substitutes for tinplate, tin for soldering, pewter, copper, and antimony for the manufacture of gas meters prompted the three organizations existing in that industry to combine and form the Metal Distribution Office for the Utilization of Gas Meter Manufacturers. An experimental laboratory was opened for the discovery of substitutes and satisfactory results are said to have been attained through this centralization of efforts. The scarcity of fuel and the resulting shutdown of factories led to a syndication of interests in other industries for the purpose of safeguarding their supply and distributing the available quantity of coal equitably.

The effort to protect common interests against the ever-encroaching control of the state authorities has proved to be a strong stimulus in Germany toward the voluntary formation of

cartels during the war. There have been many complaints from syndicated interests that the policy pursued by the government authorities is marked by an unscrupulous destruction of all the values so laboriously acquired by commerce and industry, and that there exists an intentional pushing aside of these voluntary organizations. In many cases this antagonistic attitude of the government is said to be due to selfish price-manipulations on the part of cartels. In several industries compulsory syndication and even a state monopoly is feared by private interests and it is felt that the solidarity of a voluntary syndicate organization will be helpful in protecting the trade interests. For example, the federal authorities have been called upon to work for the voluntary syndication of leather factories in order that compulsory syndication may not become necessary. Similarly a combination was recently formed by furniture manufacturers, the "Wirtschaftsdienst der deutschen Möbelindustrie, e.V.," the object of which is, among other things, to avoid public administration of the furniture supply by calling upon the trade itself to overcome the difficulties in the way of providing the public with the furniture needed. It is interesting to note in this connection that organized private interests throughout the world are exhibiting an increasing antagonism to government control and possible state ownership and are advocating the abolition of all war-time measures of this kind at the earliest possible time. This subject will be discussed more fully under the heading of "State Monopolies."

Direct encouragement by government authorities has unquestionably, more than any other factor, promoted the formation of trade combinations since 1914. This is most noticeably the case in Great Britain and in the United States where it had its inception chiefly in the desire to promote foreign trade. The widespread attention given to the investigations of the United States Federal Trade Commission into foreign trade conditions¹ focused public attention here and abroad particularly on the efficiency of trade combinations for export trade. The dislocation of foreign trade relations incident to the war, the elimination of Germany from overseas markets and of German interests from domestic

¹ Report on Co-operation in American Export Trade.

corporations, the opening up of new markets, and especially the problem of export trade after the war—all these factors combined to make the question of foreign trade expansion an issue of national rather than private interest. "Co-operation in export trade" became a winged word.

In the United States the so-called "Webb Law"¹ was enacted by Congress, and approved April 10, 1918. With certain restrictions associations for engaging in export trade were made lawful under this act.

In Great Britain special departmental committees appointed by the president of the Board of Trade made inquiries into many of the most important and staple trades, and most of these committees recommended that British manufacturers should form combinations.² In July, 1916, Mr. Asquith, then Prime Minister, appointed a committee, of which Lord Balfour of Burleigh was made chairman, to consider the commercial and industrial policy to be adopted after the war. This committee held 49 meetings, in addition to extra meetings of special subcommittees, and examined numerous witnesses and a large amount of documentary evidence, including the reports of the above-mentioned committees of the Board of Trade. In its final report³ it stated as follows:

It is in our view necessary that in some important directions the individualistic methods hitherto mainly adopted should be supplemented or entirely replaced by co-operation and co-ordination of effort in respect of (1) the securing of supplies of materials, (2) production in which we include standardization and scientific and industrial research, and (3) marketing (p. 34).

We are of opinion that every encouragement should be given by the government to the formation of combinations of manufacturers and others concerned to secure supplies of materials, and that, when it appears expedient that the control of mineral deposits in foreign countries should be obtained, all practicable support should be given (p. 37).

We believe that such development (the formation of combinations for export trade) is not only desirable in some cases, but is practically inevitable

¹ Public Act, No. 126, 65th Congress.

² *Report of the Committee on the Engineering Trades after the War*, p. 26; *Report of the Committee on the Iron and Steel Trades after the War*, p. 45; *Report of the Committee on the Textile Trades after the War*, p. 179; *Report of the Committee on the Electrical Trades after the War*, p. 8.

³ *Final Report of the Committee on Commercial and Industrial Policy after the War*, London, 1918.

under modern economic conditions, and we think that the attitude of public opinion, of local authorities, and of the state, which, broadly speaking, has hitherto been more or less avowedly antagonistic to the very principle of combination, must be modified (p. 38).

The Garton Foundation made the following recommendation:

Industrial concerns will need to unite for the joint cultivation of foreign markets, sinking their individual rivalries and jealousies in the common object, receiving much more active aid from the Board of Trade and the Consular Service than has hitherto been given.¹

A subcommittee of the Advisory Committee to the Board of Trade on Commercial Intelligence, which was required to report in what industries it would be desirable that efforts should be made to induce manufacturers to combine or federate for the promotion of their joint interests in export trade, reported in favor of combinations. It found that the German cartel and the American and Canadian amalgamation systems were able to provide in a more effective manner than individual traders for the distribution of orders in such a way as to permit of the greatest possible amount of specialization by each plant, for branch offices holding stocks in export markets, for representation of individual manufacturers, for reduced selling costs, and for long-sighted advertising and development campaigns.

The Board of Trade accepted the report, which recommended that the Board should defray part of the cost of the dispatch by such associations of expert investigators to approved overseas markets, and, furthermore, that when desired the Board should appoint officers to attend the meetings of the executive committees of such export associations in an advisory capacity. Arrangements were made at once for a joint investigation by the Department of Overseas Trade and representative associations of the jewelry, silverware, electroplate, and allied trades of the South American markets.²

It is interesting to observe that the activities of the Board of Trade in promoting combination among manufacturers and exporters have encountered considerable criticism and opposition.³ It

¹ *Memorandum on the Industrial Situation after the War* (London, 1916), p. 58.

² *Board of Trade Journal*, Feb. 21, 1918, p. 208.

³ *The Economist*, 1917, p. 868; 1918, pp. 249, 335 ff.

is argued that the policy advocated by the Board of Trade "is socialistic, is being carried on in the face of protests from chambers of commerce and from merchants, who naturally object to money paid by them in taxes being used for the ruin of their own business."

In Canada the acting Commissioner of Labor, W. F. O'Connor, in discussing present and future trade conditions in that country, advocated the formation of selling combinations on the plan of European export cartels, as follows:^x

As a result of war conditions Canada is now selling all she can produce, but we ought to organize so that we may sell with efficiency, as after the coming peace the powers now clamouring at our counters may require to be coaxed or informed. Canada's industrial equipment is said to be of a capacity twice or three times more than its home trade requirements demand, and only by greater export trade or through the extension of the home market by an abnormal immigration can extensive scrapping of plants be avoided. Production is not enough; what is produced must be sold. Efficient selling will reduce the cost of selling, and not only the manufacturer but the consumer will gain. Labour also will benefit through the greater volume of employment afforded through the export orders which efficient selling organizations will secure. A board or commission with jurisdiction over trade combinations and trade methods is therefore as much a necessity for the purpose of foreign trade as for internal trade.

War conditions have given rise to still another fertile cause for the concentration of commercial interests. The accumulation of considerable capital during the war in certain quarters in neutral countries, where fortunes have been made in an incredibly short time, made possible heavy investments in productive enterprises. Well-financed concerns absorbed smaller ones, especially in the Scandinavian countries. This accounts for the comparatively large number of amalgamations formed in Sweden, Norway, and Denmark during recent years. Similar developments may be observed in Holland, Switzerland, and Spain. An unprecedented growth of big business as a result of the war, together with active government support in the form of subsidies, tariff adjustments, etc., have materially quickened the process of industrial and trade syndication in Japan, where commercial organizations had been highly developed prior to the war.

^x *The Labour Gazette*, Ottawa, June, 1917, p. 477.

Last but not least, concentration of demand has proved a vital factor in furthering the tendency toward combinations. Maximum efficiency in the placing of large government contracts for war materials of all kinds made joint action on the part of manufacturers or dealers a matter of great importance to the public interest. In numerous instances government authorities have advised producers or manufacturers in certain industries to combine, so that contracts for supplies could be allocated more efficiently.

GREAT BRITAIN

The world-wide impetus given to the combination movement by the new economic conditions produced by the war is most noticeable in Great Britain. While large trustlike concerns, such as the Cambrian Coal Combine, the Coats Combination, etc., as well as smaller price-fixing combines, have existed in Great Britain for many years, British manufacturers always showed a pronounced tendency toward individualism, and public opinion was more or less antagonistic to monopolistic enterprises. A marked change has taken place. Official committees declare themselves unqualifiedly in favor of combinations. The Departmental Committee appointed by the Board of Trade to consider the position of the engineering trades after the war declares: "We ourselves approve of trade combinations amongst manufacturers, as we also approve of combinations among workmen." The Committee on Electrical Trades reported: "It is essential that output should be thus consolidated instead of remaining in the hands of a number of weak concerns, many of which, moreover, have further reduced their competitive power by dabbling in a variety of productions." According to the *Economist*^x the Board of Trade has adopted the promotion of trade combinations as its "considered policy." A survey of the reports of annual meetings of some of the leading British industrial concerns for the past three years shows that co-operation among producers or dealers, a joining of like interests in the form of amalgamations, fusions, or pools and similar developments along lines of syndication for domestic as well as export trade have taken place on a large scale.

^x December 1, 1917, p. 868.

A few typical instances in the chemical, the steel, and the shipping industries will illustrate this tendency toward economic centralization. The largest enterprise of this kind backed by the government grew out of efforts to make British industry independent of the German dye-color industry and to establish a national dye-color industry which would constitute the keystone for the British textile industry. Shortly after the outbreak of the war the British Dyes, Ltd., was organized, and financed largely by the government. The latter undertook to advance £1 on debentures for every £1 of share capital subscribed up to a million, and thereafter £1 (up to a maximum of £500,000) for every additional £4 of subscribed share capital. The government also gave £100,000 for purposes of research. In a speech delivered by Sir A. Stanley, president of the Board of Trade, in May, in the House of Commons, he stated that:

Negotiations were in progress for the amalgamation of British Dyes, Ltd., and Messrs. Levinstein, Ltd., who were the most important of the dye manufacturers of Great Britain. The arrangement proposed provided for the new company being permanently under British control, for government representation on the board of directors, and also for securing reasonable prices and equitable distribution of the company's products to the consumers.¹

After lengthy negotiations the deal was apparently concluded, and on August 21, 1918, a meeting of shareholders of British Dyes, Ltd., decided definitely on amalgamation with Levinstein, Ltd. The branching out of the new combination into allied lines is indicated by the recent linking up of Levinstein, Ltd., with the Nobel's Explosives Company, Ltd., which has acquired a large stock interest in the great dye concern of Manchester.

The extent to which the British iron and steel industries are organized may be seen from the fact that the *Board of Trade Committee Report* on those industries mentions thirty-five associations of producers. A glance through the pages of the British *Directory of Directors* for 1918 will show a whole network of interrelations through interlocking directorates linking up the great iron and steel industries with banking, shipping, and other interests.

¹ *Board of Trade Journal*, May 23, 1918, p. 627.

Recently an amalgamation was negotiated in the steel industry between the Workington Iron and Steel Company; Steel, Peech and Tozer; Samuel Fox and Company; and the Rother Vale Collieries. The two first named own the whole of the share capital of the Frodingham Iron and Steel Company, Ltd., which in turn owns one-half of the share capital of the Appleby Iron Company. The new concern is to be known as the United Steel Companies, Ltd., and is capitalized at £7,680,000. Vast outlays of capital, well-equipped modern plants, and substantial interests in iron and coal production combine to make a formidable array. It is calculated that the union of interests will be capable of producing well over one million tons of steel of all classes per annum. A similar joining of interests took place as a result of an alliance between the Metropolitan Carriage, Wagon, and Finance Company, Ltd.; Vickers; the South Metropolitan Electric Light and Power Company; and the West Kent Power Company. This new combine also has agreements with the General Electric Company and the Birmingham Small Arms Company. The Metropolitan increased its capital to £10,675,000. At the last annual meeting of Siemens Brothers and Company, Ltd., the announcement was made that an alliance had been negotiated with Dick, Kerr and Company, Ltd., in the field of dynamo installations, and that other alliances are in contemplation for the purpose of reducing unnecessary competition among other British companies doing similar business. An important amalgamation was consummated during the past year in the agricultural implement and machinery industry by the fusion of Ruston, Proctor and Company, Ltd., of Lincoln, with Richard Hornsby and Sons, Ltd., of Grantham. Some idea of the magnitude of this deal is furnished by the fact that the combined capital of the two concerns amounts to \$7,027,250. Both companies have established a large export business, particularly with Australia.

A noteworthy combination in the shipping business was established by the Royal Mail Steam Packet Company and its associated companies. In conjunction with certain leading French and Italian shipping interests the British concern has acquired a large holding in the Argentine Navigation Company. Through the latter concern

an extensive organization has been created for linking up the South American ports by means of coasting vessels, river craft, tugs, lighters, etc. The Committee on Shipping and Shipbuilding in its final report made the following statement relative to combinations in the shipping industry:

We think that British shipowners ought not to disregard the tendency of modern industry toward closer organization, since united action on the part of foreign shipping can only be met effectively by similar action on the part of British shipping. It is for the British shipowners themselves to devise the best methods of bringing united action into play.¹

GERMANY

The cartel situation in Germany during the war exhibits a number of interesting features. In the first place there is to be seen a noticeable tendency toward decentralization, directly opposite to the current movement prevailing in other countries, which favors trade combinations. This trend of sentiment toward individualism and free competition made itself felt to such an extent in several instances where syndicate agreements were about to expire that co-operation was attained only in response to pressure by the government authorities with the covert threat of compulsory syndication or even government monopoly in case of failure to form a voluntary combination. Two cases of this kind concerned the two largest and most important syndicates of Germany. The first instance was in connection with the imminent dissolution of the Rhenish-Westphalian Coal Syndicate, one of the most powerful cartels in the empire. The voluntary syndicate agreement was to expire in November, 1915, and disagreements among the mineowners made the voluntary formation of a new syndicate improbable. In view of the fact that the syndicate controls the major part of the country's production and distribution of coal, the government availed itself of the excellent organization of the syndicate for war purposes. However, the disinclination of several large coal magnates to join in a new agreement caused the situation to become so serious that the Federal Council took action. A decree² issued on July 12, 1915, provided for the forma-

¹ London, March, 1918.

² *Reichsgesetzblatt*, 1915, No. 113, pp. 535 ff.

tion of a compulsory syndicate unless the old agreement should be renewed. This threat of state intervention brought the recalcitrant colliery owners to terms, and on October 14, 1916, a so-called "transition syndicate" was formed. On April 1, 1917, the syndicate agreement was renewed for five years. The new syndicate includes all of the coal mines operated in the Rhenish-Westphalian coal district and comprises also the Prussian state mines. On this occasion the syndicate succeeded in taking over the entire wholesale coal trade, thus becoming practically a private monopoly.

A similar situation developed in connection with the Steel Syndicate (*Stahlwerksverband*). On January 20, 1915, representatives of the steel works met to discuss ways and means whereby the German iron and steel industry could be formed into a solid combination in view of the great changes which were expected to take place after the war. During the following May a special committee presented the draft of a scheme for the formation of a steel federation to be known as the "Stahlbund." The Bund was not to be a syndicate for sales in the sense of the existing syndicates, having nothing whatever to do with sales. The principal duty allotted to it was to promote the formation of syndicates and to maintain existing combinations. Besides looking after the interests of the Steel Syndicate itself the new federation was to endeavor to form sales syndicates for bars, plates, sheets, wire rods, and tubes. According to the statutes of the Federation, steel products were to be divided into the following three groups: (a) for semifinished steel, railway material, and shapes; (b) for bars, wire rods, plates and sheets, tubes and rolling stock; (c) for forgings, castings, and sundry steel products. The works in group c were for the present to remain independent, so as not to complicate the process of syndication by their inclusion. Negotiations were later suspended on account of disagreement as to a method of computing the allotments. Recently they were resumed in deference to the wish of the government that the negotiations should be conducted simultaneously with those for the renewal of the Steel Syndicate. The latter's agreement terminated at the end of 1918, and the government expressed a

wish that a decision respecting its further prolongation should be reached by October 1.

The same procedure as in the case of the coal and steel syndicates—namely, the threat of a compulsory syndicate—was followed by the government for the protection of the interests of the cement industry. Prior to the summer of 1914 high prices and tempting profits had given rise to numerous new enterprises. In order to avert an impending overproduction, the existing cement cartels shortly before the war made an effort to buy up some of the leading newly established plants, to shut them down, and thus to curtail production. While overproduction was checked to some extent by this action of the cartels, with the outbreak of the war lucrative war orders gave a fresh impulse to speculation. The various cement cartels showed a growing disinclination to co-operate with one another. Finally the government authorities, fearing that the increasing lack of solidarity in the industry would become detrimental to its interests, exercised the necessary pressure to bring about the formation of a cartel agreement covering the entire cement industry and resulting in a firm price policy.

The second outstanding development in the war-time history of German cartels involves the coming together of the few big concerns which control respectively the electrical and the dye-color industries. Over against the tendency toward decentralization so noticeable in the coal and steel industries, we find a voluntary consolidation of interests taking place in the electrical and the dye-color industries. The underlying reasons for these divergent tendencies may be found in the fact that the former have been very prosperous during the war and are looking forward to an increased volume of domestic business in the reconstruction period after the war. By remaining independent and outside of a syndicate agreement which allows them only a certain limited allotment, some of the large concerns expected to do a more profitable business as long as the demand was great during the war. On account of the universal dearth of raw materials they anticipated a continued strong demand during the reconstruction period which they would be in a better position to take advantage of than the smaller concerns who favored syndication for equally

selfish reasons. On the other hand the electrical and the dye-color industries, which had built up a large export trade before the war, have suffered enormous losses in their foreign investments and look with apprehension upon the strong competition which has grown up in other countries during the past four years. In their case foreign competition prompts them to join their resources and facilities. By solidarity of action they expect to be in a better position to meet foreign competition.

The German electrical industry prior to the war was controlled by two large groups or communities of interest, the Allgemeine Elektricitäts-Gesellschaft, which controlled about forty-five per cent of the entire electrical business of Germany, and the Siemens-Schuckert concern, which controlled about thirty-five per cent. While these two groups were formerly more or less independent of each other the war brought about a loose organization. At first a war committee covering both groups was formed. Later a permanent organization was established, known as the Central Association of the German Electro-Technical Industry.

Likewise the German dye-color industry was consolidated during the war into a community of interests or an entente, the "Anilinkonzern." Immediately prior to the war the industry had been dominated by seven concerns which formed two groups of interests. They had grown out of sixteen individual concerns engaged in the manufacture of coal-tar dyes, by a gradual process of absorption from 1912 to 1914.¹ In a review of the German chemical industry for the year 1917, the *Frankfurter Zeitung* states that the seven firms which form the new chemical combine have increased their capital to 353,400,000 marks, partly with a view to the erection of new plants, especially for the extended production of nitrates, and partly also in order to water their stock and check the rise of dividends. The present shareholders were given the option of taking up the new shares at 107 per cent. For the six companies surveyed (Höchst, Badische Anilin, Bayer, A. G. für Anilinfabrikation, Griesheim, and Weiler-ter-Meer) the gross profits for 1917 were 194,900,000 marks, or 41,400,000 marks in excess of those for 1916. The amounts written off totaled 63,400,000 marks,

¹ *Revue d'économie politique* (1918), p. 238.

showing an increase of 18,300,000 marks over 1916. The average dividend for 1917 was 18.78 per cent, as against 24.84 per cent for 1916.

A war-time development along different lines is the joining of forces of the coal and iron with the shipping interests. Some of the great German ironmasters, Stinnes, Thyssen, and Haniel, have acquired large coal holdings and in addition have obtained interests in shipping firms and shipyards. An important undertaking of this kind is the new Hamburg Shipyard Company founded in August, 1916, by the Allgemeine Elektricitäts-Gesellschaft, the Hamburg-Amerika, and the Haniel concern, the latter representing the "heavy industry" of the Rhineland. Similarly, Hugo Stinnes, who holds a controlling interest in the German-Luxemburg Mining Company, has become affiliated with the Hamburg-Amerika line, the Woermann line, the North German Lloyd, and the German-American Petroleum Company. In 1917 the Mannesmann Tube Works acquired the large coal mine "Unser Fritz," for which purpose it issued 14,000,000 marks worth of new shares. This linking up of coal and iron interests is a characteristic trend of the times, and is noticeable also in Great Britain, for instance, in the case of the Ebbw Vale Steel, Iron and Coal Company, Ltd. Its primary purpose is to make large enterprises self-contained as far as possible. While this tendency on the part of large industrial concerns to make themselves self-sufficient by so-called "vertical" expansion was noticeable in several countries prior to the war, the dearth of raw materials, difficulties with labor unions, and other factors incident to the war combined to drive "big business" with increased momentum toward this form of industrial concentration in Great Britain, France, Italy, and Germany just as in our own country.

In a review of the German cartel situation, written shortly before his death, the late Professor G. Schmoller called attention to what he considered an important new phase of cartel development, that is, the formation of purchasing syndicates for the purchase of large quantities of raw materials.¹

¹ Schmoller's *Jahrbuch*, 41. Jahrg. 2. Heft, p. 436.

While Germany has been cut off from her former overseas markets during the past four years, preparations have been made in the meantime by private interests as well as by the government authorities for extending foreign trade after the war. Although of late the formation of export cartels has not been advocated as much as in the United States and in Great Britain, nevertheless one or two enterprises of this kind merit attention. On February 28, 1918, an Export Trade Company, Ltd., was formed under the Imperial Ministry of Economics. The purpose of this company is to provide German industry and trade with opportunities for participating in the expected revival of export business, especially with countries hitherto hostile. The company bears a semiofficial character and has been founded in co-operation with the Central Association of German Wholesale Trade and the Association of Exporters. The board of directors will consist of eight representatives of trade and industry and eight deputy representatives, nominated by the Imperial Ministry of Economics on proposals made by the association. The new company is to regulate exports during the war and during the transition period.

Another concern formed recently with the participation of the government is the Export Company for the Ukraine, having a share capital of \$2,500,000. The Central Union of German Manufacturers, the Federation of Manufacturers, and the Central Union of German Wholesale Firms became members of the new company. The German government has granted to the Export Company the sole right of export to the Ukraine with the exception of fuel. In order to equalize distribution of the orders the Export Company has induced the various German syndicates to appoint expert committees to advise the company in the allocation of the orders, and to put forward the names of those firms which come into consideration for the execution of contracts.

Private interests are backing the Stock Company for Home and Foreign Enterprises, which was incorporated at Hamburg in April, 1918, with a capital of 2,500,000 marks. Exporting and industrial concerns, shipping firms, and banks from all parts of Germany participated in the formation of this export combination.

TRADE COMBINATIONS IN OTHER COUNTRIES

Outside of Great Britain and Germany the most significant developments in other European countries in connection with cartelization of commerce and trade during the war may be observed in the Scandinavian countries, in Russia, and in Italy. The rapid accumulation of wealth in Sweden, Norway, and Denmark has led to the absorption of numerous small concerns by well-financed corporations. In Sweden several export cartels have been formed. In Italy the elimination of German interests, which had been closely linked up with the leading Italian cartels, resulted in a general reorganization of the industrial administrative machinery of the country. Perhaps the most important recent development in Italy's industrial expansion is the action of the Minister of Finance, Nitti, who in July, 1918, arranged a general agreement between the four greatest commercial banking institutions of that country, the Banca Commerciale Italiana, the Credito Italiano, the Banca Italiana di Sconto, and the Banca di Roma, to underwrite the bulk of the new capital stock issued by the Ansaldo works of Genoa. This large shipbuilding, engineering, and armament concern increased its capital from 100,000,000 to 500,000,000 lire. It has now become the strongest industrial interest of any kind in all Italy, constituting practically a trust in its line.

In Russia the Soviet government has promulgated a decree nationalizing foreign trade. It provides that "commercial transactions relative to purchase and sale of products (raw materials, manufactures, agriculture, etc.) with foreign countries and private foreign commercial organizations are controlled directly by the Russian Republic through specially authorized organs." A Council of Foreign Trade has been constituted which shall "keep a register of the demand and supply of exported and imported goods; organize foreign purchase through the government against requisitions by co-operative societies and firms; and regulate the prices of imported and exported goods."

In Australia the Prime Minister in February, 1918, outlined to the Chamber of Manufacturers at Melbourne a scheme for the organization of Australian industry and trade after the war. He stated that the unit of the scheme would be the association representing each industry. This shall be composed of all the produ-

cers or manufacturers of an industry forming themselves into an association. Representatives from the various associations shall compose a General Council of Commerce and Industry. Combined action of manufacturers through an association for the purpose of securing a footing in overseas markets was proposed and the backing of the commonwealth to secure necessary credits from banks was mentioned as a means of pushing the Australian products in the overseas markets.

In Japan organization of business has made rapid strides during the war. The solidarity of her business interests, the co-operation of her exporters, the systematic aid furnished manufacturers by the government through subsidies, tariff legislation, etc., is unequalled anywhere among the other commercial nations of the world. Japan's shipping has virtually monopolized the Pacific maritime trade during the war. Three shipping firms of Kobe recently pooled their interests. The new concern stands fourth in the list of Japanese shipping companies. Well-organized cartels have been formed in the textile, tea, chemical, camphor, and other industries. In Canada there was incorporated a company styled "The Associated Industries of Japan," with head office at Vancouver. This company comprises some one hundred and sixty Japanese manufacturers. An enterprise on a larger scale was formed by six of the largest mercantile firms of Japan, the Mitsui, the Mitsubishi, the Okura, the Furukawa, the Kubara, and the Kogyo Kaisha, for the purpose of placing joint loans in China. The new combination has already succeeded in acquiring certain valuable mining privileges.

BANKING AMALGAMATIONS

Amalgamations of large banks in all parts of the world have become a significant sign of our times. In England, perhaps more than elsewhere, public attention has been aroused by this outgrowth of war-time conditions. The *Statist*,¹ commenting on this subject, said:

Clearly, the recent amalgamations overshadow all other banking events, constitute so great a change in the banking arrangements of the United Kingdom, and introduce so many changes in divers directions that they outweigh in importance everything else.

¹ August 17, 1918, p. 250.

The *Economist*,¹ in discussing recent articles by Sir Charles Addis on "Problems of British Banking" in the *Edinburgh Review*² and by Mr. Sidney Webb in the *Contemporary* on the subject of bank amalgamations, states:

Suffice it for today that these two authorities, approaching the question from so different a standpoint, agree that a state banking monopoly is in sight, as a danger or a blessing according to the taste and fancy of the prophet.

Among the more important recent bank amalgamations in England is that of the National Bank of Scotland with Lloyd's Bank, the London and River Plate Bank, and the Capital and Counties Bank. The London City and Midland Bank and the London Joint Stock Bank, Barclay's Bank, and the London Provincial and South Western Bank have combined their interests. A working arrangement has also been brought into operation between the Anglo-South American Bank and Williams Deacon's Bank.

Sir Edward H. Holden, chairman and managing director of the London City and Midland Bank, in a speech on September 13, 1918,³ discussing some of the reasons underlying this tendency toward centralization of banking interests, said:

We must remember that in retaining London as the financial center we must be prepared after the war to meet any extra demands for the purposes of trade which may be made on us by the foreign bankers, and that is one of the most important reasons for seeking to make our banks much larger than they were before the war. The feeling that it is necessary to increase the size of the banks is growing in all countries. Amalgamations are taking place in all parts of the world. The cry in all countries is "Make the banks larger and stronger." This can only be done, as it has been done in our country, by amalgamations.

The frequency and extent of these enormous agglomerations of capital into a few hands aroused public opinion to such an extent that a Treasury Committee on Bank Amalgamations, under the chairmanship of Lord Colwyn, was appointed in March, 1918, to take evidence as "to what extent, if at all, amalgamations between banks may affect prejudicially the interests of the indus-

¹ July 30, 1918, p. 66. ² July 3, 1918.

³ Supplement to the *Statist*, September 14, 1918, p. v.

trial and mercantile community, and whether it is desirable that legislation should be introduced to prohibit such amalgamations, or to provide safeguards under which they might continue to be permitted." In its report the Committee stated that they are forced to the conclusion that the possible dangers resulting from further large amalgamations are material enough to outweigh the arguments against government interference. Some measure of government control is essential, and the Committee suggests that the responsibility of approving or disapproving amalgamation schemes, etc., should be charged to the Treasury and the Board of Trade. With regard to the danger of monopoly or a money trust, the Committee states that:

While we believe that there is at present no idea of a money trust, it appears to us not altogether impossible that circumstances might produce something approaching to it at a comparatively early date. Experience shows that in order to preserve an approximate equality of resources and of competitive power, the larger English banks consider it necessary to meet each important amalgamation, sooner or later, by another. If, therefore, the argument from size is to prevail, it can only lead, and fairly rapidly, to the creation of a very few preponderant combinations, and if these combinations amalgamated or entered into a joint agreement as to rates and policy, etc., the money trust would immediately spring to birth.

The importance of the part played by the German great banks prior to the war in the promotion of commerce and trade through syndicates is well known. During the war these banks have extended their financial interests still more, particularly by acquiring a controlling interest in provincial banks. The Disconto-Gesellschaft recently took over five provincial banks in Central and Western Germany. In 1914 this bank absorbed the Schaffhausen'sche Bankverein through which it became closely affiliated with several large syndicates, particularly in the textile industry. In 1916 it also acquired control of the Königsberg Bankverein, whereby it established itself firmly in Eastern Germany. The Dresdner Bank, by taking over the well-known Rheinisch-Westphälische Disconto-Gesellschaft of Aachen, gained a strong foothold in the textile and milling centers of the Rhineland and Westphalia. The Märkische Bank was also merged into the Dresdner

Bank. These bank fusions were caused partly by the desire to extend business, partly by reasons connected with taxation, and partly also by the desire to reduce the working costs. In this connection it may be noted that Professor Prior in a recent book, *The German Credit Banks during and after the War*, advocates the formation of a banking council composed of representatives of the credit banks, mortgage banks, public savings banks, and insurance companies for the purpose of devoting themselves to the solution of financial problems growing out of the war.

In the Hungarian banking world the movement toward concentration assumed large dimensions in 1917. At the end of that year there were twenty-nine banks in Budapest with a capital of not less than ten million kroners each, fourteen of which were in some kind of dependent relation to other banks, either in Budapest or abroad.

In Canada the tendency toward amalgamation of banks is exemplified in the merger of the Bank of British North America with the Bank of Montreal. The Royal Bank of Canada has absorbed the Northern Crown Bank. Since 1889 the number of chartered banks has been reduced from forty-one to nineteen.

In Australia three important bank amalgamations took place in a little over a year, among them being the consolidation of the interests of the National Bank of Australasia, Ltd., and the Colonial Bank of Australasia, Ltd., while the Commercial Bank of Australia was merged with the National Bank of Tasmania.

A similar concentration of capital is noticeable in Sweden, where the Skandinaviska Kreditaktiebolaget, the largest commercial bank in Scandinavia, took over the Skanska Handelsbanken, Sveriges Privata Centralbank, and the Nordiska Kreditbanken.

In our own country the concentration of the nation's banking resources in the Federal Reserve System under the Federal Reserve Act constitutes a development which is in harmony with the tendency of the times as outlined above. That further co-operation among American banking interests is likely to take place in the near future may be inferred from the following statements made

by Charles H. Sabin, president of the Guaranty Trust Company, of New York, in a recent address on "Banking Evolution," viz.:

To meet the new conditions presented in world-trade, the desirability of concentrating banking credit has appealed to the bankers of other countries, and offers its possible suggestion to us. The question also of the desirability of extending our financial spheres of influence at home may well be raised in order to meet the growing necessity for financing large undertakings to an extent quite out of proportion to the resources of smaller institutions, and consequently unsafe for them. Such service would be possible through the "big" bank with affiliated interests or branches which might not otherwise be rendered. We must adjust our minds, not only to the expansion of our own banking interests abroad, but perhaps even to the co-operation with foreign banks in some international banking plan which will meet the exigencies forced upon us by the war. It is certain that we shall need united effort to meet the competition we shall face, and in lieu of a branch banking system and banking amalgamations, American banks must work together on a basis of common interest and in the general interest.

TRADE ASSOCIATIONS

Side by side with the world-wide tendency to form cartels, syndicates, and trusts, a rapid growth has been taking place during the war in the number and size of trade associations. Industries in which all efforts to bring about an organization failed in previous years have been successfully organized under the stress of war times, not only along sectional lines, but as units covering the entire national industry. In the United States the coal and the dyestuff industries have for the first time been organized into national associations. The National Coal Association embraces most of the large bituminous coal producers of the whole country, just as the National Coal Jobbers' Association and the National Retail Coal Dealers' Association combine the majority of business men engaged in their respective lines of trade. The Dyestuffs Association of America, Inc., was organized on March 6, 1918, at New York and combines manufacturers, jobbers, makers of machinery, and dyestuffs chemists into a co-ordinate body.

In Great Britain the Association of British Chemical Manufacturers, formed in 1917, now has a membership of one hundred and twenty-three, representing a total capital of £50,000,000. The Committee on the Chemical Trade of the Ministry of

Reconstruction in its *Report*¹ recommended "that the Association of British Chemical Manufacturers should be considered as representative of the chemical trade as a whole with certain branches excepted." Of the numerous other trade associations formed in Great Britain during the war we mention the National Association of Agricultural Engineers and Implement Dealers because of the far-reaching plans voiced by its founders for expanding the domestic and foreign trade in British-made agricultural machinery and implements. A trade association on a larger scale is the Joint Council which was established recently by the Federation of British Industries, the British Empire Producers' Organization, and the British Imperial Council of Commerce. Its importance and scope may be gauged by the fact that the Federation of British Industries represents about fifteen thousand manufacturing firms of all the important branches of English industry. The British Empire Producers' Organization includes raw materials in the dominions, together with the leading manufacturers' associations in Australia, Canada, and South Africa. The Joint Council thus brings together manufacturers, producers, and merchants throughout the British Empire.

A similar nation-wide league of business men is the Imperial Combine of Austrian Industries, which was organized in November, 1917. It represents an amalgamation of the three leading Austrian manufacturers' associations, viz., the League of Austrian Manufacturers, the Central Union of Austrian Manufacturers, and the Manufacturers' Club.

Numerous trade associations of a smaller or larger scope have been formed in all the leading commercial countries of the world, and so rapidly has their number increased that notes of warning have been sounded in several countries as to them. The *London Times* in a recent editorial commented as follows:

The public has little idea of the enormous number of otiose trade associations that have come into existence during the last ten years. It is time to speak out frankly, and call a halt. Most of these redundant and absolutely useless bodies exist very largely to provide posts for needy officials. We do not

¹ London, 1917, p. 4.

want more associations, we want better ones, and the most likely way to get better ones is to improve the existing old-established, reputable, and representative bodies.

The *Economist*¹ says:

We have to face a plague of associations. For this also we have chiefly to thank the government, for it has been incessantly urged upon our harassed manufacturers that they should band themselves into associations and federations for defensive and aggressive purposes, but more especially to enable them to hold their own against foreign competition in the economic war which is supposed to be coming.

Objectionable activities by trade associations in the United States have given rise to criticisms in the press and on the part of government authorities. The Federal Trade Commission in its *Report on the Book-Paper Industry*, Washington, 1917, p. 18, says:

The commission also desires to call attention of the Congress to the necessity for the enactment of legislation regulating the activities of trade associations. The print paper and other investigations of the commission show that trade associations, although they are presumed to be organized for legitimate purposes and are often engaged in activities which serve a useful purpose, nevertheless, in some instances, engage in practices which tend to destroy competition and defeat the objects of the Sherman Law.

INTERNATIONAL CARTELS

The decade immediately preceding the war was characterized by the tendency to form international cartels. Upward of a hundred combinations of this kind were in operation, linking up manufacturers or exporters of various countries in the same or allied industries. There was a time when international cartels were considered by some writers as potent agencies of a world-peace. Agreements of this kind provided in most cases for a division of sales territory, and in some instances they covered price agreements also. The primary purpose underlying most of these international commercial ententes was the preservation of an undisputed internal market. One of the economic effects of the war has been the disruption of most of the international cartels in which German interests were represented, or at least

¹ May 11, 1918, p. 733.

the elimination of German participation. Legislation prohibiting trading with the enemy, the placing of certain trading activities under a system of licenses, amendments to company laws providing for a stricter control of stockholders, elimination of stockownership in domestic companies by foreigners, and similar measures have made the continuation of most of the former international cartels impossible.

The erstwhile "Lead Convention" was an international cartel of great economic importance. It had been formed by the German Merton concern of Frankfurt a.M., and had succeeded in dominating the production of zinc and lead in Australia. Since the outbreak of the war the attorney-general of Australia succeeded in breaking up the foreign control of the Australian trade in these metals. The government scheme for the future conduct of the metal trade took the form of the Australian Metal Exchange. No metal products of Australia are in future to be sold except through the Exchange, and every transaction for over £500 in value must be registered with full particulars of purchaser, destination, etc. This procedure is designed to secure the trade against the formation of any controlling combine, the expectation being that consumers will buy according to their requirements through Australian agents. The German influence is to be eliminated through the control exercisable over membership of the Exchange.^x

Several of the leading international cartels formerly had their central offices in Belgium, among them the International Glass Syndicate. War conditions have terminated its functions.

The pre-war agreement of the international quinine cartel has also been changed. It had been based upon a division of territory between American, British, French, Dutch, and German companies. The original agreement specified that American and French manufacturers should keep out of Great Britain, while the British company should in turn not attempt to do business in France and the United States. The British quinine company, it is asserted, has now left the cartel and made an independent contract with British cinchona-bark growers in Java.

^x *The Round Table*, December, 1915, pp. 177 ff.

The chemical industry has in the past been the most prolific field for the formation of international cartels. The comparatively limited number of manufacturing plants, and, generally speaking, the fact that the necessary raw materials have not been subject to import or export duties, explain why such a large number of chemical commodities have been covered by international cartel agreements. The war has focused public attention on the commercial and political effects of this network of agreements among private parties in different parts of the world, and has torn asunder or rearranged most of them.

During the war several large trading corporations have been formed, backed by powerful banking interests, for the purpose of doing an overseas business. As an example, we mention the British-Italian Corporation, Ltd., capitalized at £1,000,000, which, together with the Credito Italiano, has formed the Compagnia Italo-Britannica, capitalized at 10,000,000 lire. Some of the principal shareholders of the British concern are the following: Lloyds Bank, Bank of Liverpool, Commercial Bank of Scotland, Anglo-South American Bank, Bank of Australasia, Bank of British West Africa, Canadian Bank of Commerce, Hongkong and Shanghai Banking Corporation, National Bank of India, National Bank of Egypt, Prudential Assurance Company, and others.

A new Italo-French combination was constituted not long ago in Rome under the name of the "Unione Industriale Italo-Francese," for the purpose of promoting a more intimate and effective economic relationship between the two countries. The capital of the combination is for the present limited to 10,000,000 lire with power to increase it to 20,000,000 lire. Another huge capitalistic trading concern capitalized at £10,000,000 is the British Trade Corporation. This concern received a royal charter on April 21, 1917, for a term of sixty years and is authorized to transact business in all parts of the world. Under the terms of its charter it has, among other things, the following rights: (c) "to promote or finance business and undertakings of any description, and to develop and prove the same, either through the instrumentality of syndicates or otherwise"; (f) "to acquire and hold or dispose of any interest in any railways, tramways, ships, canals,

docks, harbours, armament works, shipbuilding establishments, irrigation works, electrical works, gas works, water works, and in addition any carrying, transporting, trading, industrial, agricultural, financial or manufacturing works, concerns or business of any description, and to carry on the same."

A trading concern of somewhat similar scope was formed recently in Japan, the "South Sea Association of Japan." The purpose of this association, which comprises a number of the leading business concerns of Japan, is to extend Japan's commercial influence in the South Seas, including the Philippines, Indo-China, the Straits, and the Dutch Indies. These territories cover an area of 1,000,000 square miles. The new association was organized along similar lines as the Indo-Japanese Society. The auditor of the new association is the managing director of the Mitsui concern, which handles about one-fourth of Japan's foreign trade.

The international cartels existing before the war were combinations among private parties. Time alone will tell how many of them will be renewed. Several international agreements along different lines, involving not private parties but groups of nations, have been negotiated during the war. At the Economic Conference of the Allies, held at Paris in June, 1916, and at similar conferences of the Central Powers and also of the Scandinavian countries, agreements providing for the pooling of economic resources and for international commercial co-operation have been discussed or negotiated. As far as they have been published these deliberations related chiefly to joint economic action during the war and the post-bellum reconstruction period. We recognize in these economic coalitions among nations a tendency toward industrial internationalization which is parallel to the nationalizing movements so noticeable in commercial circles the world over at the present time.

STATE MONOPOLIES

The general trend of our time toward industrial centralization, as exemplified by the rapid growth of trusts, syndicates, and cartels; the numerous measures of war-time control of trade and industry by the state; the more or less sympathetic attitude of

the public and of the executive, legislative, and judicial agencies of the government, are looked upon by many as an indication of the rapid and inevitable drift in the direction of nationalization or socialization of industry. For this reason it is interesting to analyze the extent to which the policy of forming state monopolies has definitely crystallized during the war in different parts of the world.

To avoid misunderstanding, it should be clearly understood that we are not considering any of the temporary war measures so numerous in the United States, Great Britain, Germany, and elsewhere. We are eliminating from our present discussion such measures as price fixing, control of production, distribution of exports or imports of certain commodities during the war, or for a limited period after the war, where a certain degree of government control has been established either through voluntary agreements with trade associations, by compulsory syndication, or by direct state administration. In the United States the Food and Fuel administrations, the War Trade and War Industries boards, and the Railway Administration, and in other countries similar government agencies, have created a machinery which in many cases amounts to a virtual state monopoly. Similar functions are exercised by the Netherlands Oversea Trust and the Société Suisse de Surveillance Économique which control the imports and exports of Holland and Switzerland.

These and similar economic war measures are in most cases limited by law to the period of the war. Generally speaking, business interests are everywhere strongly opposed to the permanent retention of these restraints. Official spokesmen of different governments have given assurance that the abandonment of government control was being contemplated. In Germany the Vice-Chancellor recently discussed this subject in the Reichstag and stated that the Imperial Government had no intention of making the war organizations permanent. At the same time, he contended, the good done by the organizations in question during the war must be recognized, and it was clear that all of these organizations could not be abolished at a single stroke after the war. Most of them would have to continue in existence for a

longer or shorter time after the war for the regulation of economic life. This regulation would be considerably facilitated by the expert practical co-operation of trade and industry.

A further illustration of this attitude is given in the resolutions passed at a meeting of the Hansabund, of which the well-known financial writer, Dr. Riesser, is president. The resolutions urged that (1) state interference, necessary as it might be during the transition period, must be very limited, and must be completely gotten rid of after this period is over. Compulsory syndicates, it added, created during the war are contrary to the spirit of this resolution, since they tend to become permanent and form a serious encroachment on the rights of individuals; (2) the closing down and amalgamation of factories, etc., which has proved of little real advantage even during the war, must be stopped as soon as possible after peace and steps taken to restore all such concerns to their normal conditions; (3) as soon as possible after peace the former freedom of trade must be restored in every respect, and agreement must be reached in which the interests of industry and trade are consulted as to questions governing the supply and distribution of raw materials, foreign exchange, etc.; (4) the principle of monopolies must be definitely abandoned, since free economic activity in industry and trade is the safest guaranty for the financial capacity of the German peoples.

Sir Albert Stanley stated at the fifty-eighth annual meeting of the Associated Chambers of Commerce of the United Kingdom, in April, 1918, that it would be the function of the government at once to begin the abandonment of those controls when the national position would permit. He could not conceive of anyone desiring in the national interest that they should be continued a day longer than was necessary. All that was necessary was that there should be complete co-operation between business interests and the government departments, and he asked the employers to organize themselves so as to be able to effect that object.

However, side by side with temporary economic war measures of a monopolistic character the progress made along lines of permanent state monopolies during the war is noteworthy. Three stages of development can be clearly distinguished at the present

time: first, where the problem has not as yet gone beyond public discussion or party program; second, where a concrete proposition in the form of a parliamentary bill exists; and, third, where nationalization or state monopoly has been effected.

Nationalization of coal mines is being advocated strongly in several countries, particularly in Great Britain and Germany. The Miners' Federation of Great Britain has taken a strong stand in favor of nationalizing the coal mines and gave lengthy consideration to this subject at its annual conference at Southport in July, 1918. According to the *Iron and Coal Trades Review*¹ "the Northumberland miners threaten to 'down tools if the mines are not nationalized within six months after the war.' " At the meeting of the Trades Union Congress at Derby in September, 1918, Mr. J. Robson, in moving on behalf of the Miners' Federation the resolution to socialize mines and minerals, said that miners were determined not to go back to the conditions that prevailed before the war, and they looked upon nationalization of the mines as an essential step toward securing the conditions they desired. Public sentiment was sketched in a paper read by Mr. F. McAvoy before the Forest of Dean Branch of the National Association of Colliery Managers as follows:²

The idea of State ownership is spreading among the ordinary men in the street, and this coupled with the projected extension of Labour representation in the House of Commons together with the resolutions of the Miners' Unions, seems likely to bring the nationalisation of the industry within the region of practical politics in the not far distant future. In the Committee stage of the Coal Mines Control Agreement Bill Mr. Adamson, a Labour member, said: "One of my chief objections to the agreement is that it is of too limited a character. I do not want only control of mines, I want ownership as well as control. This has been the attitude of the miner for many years. An important industry such as coal mining—an industry of such vital importance to the people—ought not to be in the hands of private individuals." And upon the Bill being debated in the House of Lords, Earl Russell said: "The Government have missed a favourable opportunity of taking over the coal mines and permanently working them in the interests of the community." When State ownership can be advocated in the "other place" we are indeed getting on.

¹ August 16, 1918, p. 196.

² *The Iron and Coal Trades Review*, June 7, 1918, p. 648.

In Germany public discussion has time and again centered around the question of nationalizing the coal industry. During the war numerous projects of this kind have been proposed, particularly from the viewpoint of making available new sources of revenue for the state. At a sitting of the Reichstag Committee on March 12, 1917, to consider the Imperial Coal Tax Bill, the State Secretary of the Treasury, however, deprecated the idea of a monopoly of coal production and of the coal trade on account of the difficulties of organization involved in the scheme. More progress has been made in respect of the nationalizing of electric power supply in Germany. Numerous well-known leaders of industry and science have urged projects of this kind. Professor R. Liefmann, of the University of Freiburg, in an article on "German Monopolies after the War,"¹ points out that owing to the difficulties which would arise regarding the indemnification of existing works, and the necessary arrangements with regard to the numerous schemes already taken up by the individual states, an imperial electricity monopoly could not be expected to provide a large revenue immediately after the war. He considers, however, that the existing chaos in the supply of electricity will only be reduced to order by an imperial monopoly, and that the scheme should be carried through from the point of view of national economy, if not for financial reasons. In some of the individual states the government authorities have already acted toward consolidating all electricity works with government participation.

Professor Balod, in an article on "Finance after the War," declares himself in favor of a state monopoly of coal and electric power on grounds of fuel economy as well as for financial reasons. He contends that all the railways and all industrial and agricultural plants should be electrified, and that electricity should be produced in large plants of 100,000 kilowatts and distributed in high-tension mains of 100,000 volts. He calculates that by electrifying the railways it would be possible to save at least one-third of the coal consumed by them, which amounted to about twenty million tons in the year immediately before the war. He urges that the state should endeavor to reduce home consumption of

¹ *Deutsche Juristen Zeitung*, March 1, 1918.

coal by one-third, and should reckon to make most of its profit on coal for export. The cost of coal should not be increased to home industries, nor should the state attempt to make much profit out of electricity, as its aim should be to provide cheaper, not dearer, motive power. The Prussian Minister of Public Works, Dr. von Breitenbach, in a speech in the House of Deputies in February, 1917, and again on November 16 of the same year, declared himself in favor of the principle of state control of electricity by taking over the generation and transmission of the current but not its distribution to consumers. A section of the working program adopted by the German Social Democratic party at its meeting in Wurzburg last summer may be of interest at this time. It provides as follows:

SEC. 5. THE PREVENTION OF MONOPOLIES.—Since in industry, commerce, and especially banking, the concentrations, amalgamations, and tendencies towards the formation of cartels which have made their appearance in war time will presumably be extended in peace time and lead to an increase in economic monopolies, the Social Democrats demand that private monopolies, so far as they have been created by economic development, should be nationalized under conditions which subject the entire conduct of their business to the control of parliamentary committees, which secure to the workmen therein employed the rights accorded them by the Industrial Code and social legislation, and which guarantee the workmen suitable influence in labor conditions. Moreover, in order to control organizations partaking of the nature of a cartel, a cartel office, affiliated with the Imperial Economy Office, must be established, empowered to examine the business ledgers of the cartel associations and to combat injurious forcing up of prices. Like the employers, the workmen are also to be secured representation on the council or the expert committee of the cartel office. Imperial control of the banking system must be extended, and by the development of the Reichsbank this institution must obtain a larger influence on private banks.¹

In Great Britain a special committee appointed in 1917 by the Board of Trade to investigate the electric-power supply recommended that one central authority to regulate generation and distribution of electricity in Great Britain and Ireland be immediately established, the new authority to be known as "The Electricity Commissioners." The Coal Conservation Committee appointed by Prime Minister Asquith in its final report made

¹ *Correspondenzblatt der Gewerkschaften*, June 22, 1918.

similar recommendations in respect of centralization of power supply. In Australia various projects for development of hydro-electric power have been put forward by the government of Tasmania, New South Wales, Queensland, and Victoria.

State ownership of railroads is being advocated in Great Britain, where government control of the railways has been established as a war measure. The president of the Board of Trade in April of this year, in discussing the subject, said that he did not see how it was possible in the national interest that railways and canals should revert to their pre-war state.¹

In Uruguay the Finance Minister has proposed the purchase by the state of the Central Uruguay Railway and of the Montevideo Waterworks and the United Electric Tramways.

The Minister of Public Works of Spain, in outlining the steps which his government hoped to take in the interest of Spain's economic restitution, mentioned nationalization of the trunk railways and regularization of water-power concessions as parts of the program. He stated also that all the different projects discussed by him tend in the direction of an increased intervention of the state and of an intense economic nationalism, which he considers to be absolutely indispensable in order that Spain may not be at the end of the war a country economically invaded and financially despoiled. Legislation has been enacted which is calculated to protect the coal and the potash industries. Under a royal decree of July 12, 1917,² the National Coal Mining Council (Consorcio Nacional Carbonero) was organized, which embraces all the coal-mine owners of Spain and combines them into regional syndicates. The president of the Council is appointed by the government and a government bank finances the undertaking. This new organization is in reality a compulsory syndicate.

Action along similar lines has been taken to safeguard the newly discovered potash deposits. On July 24, 1918, a law was enacted³ which gives the Spanish government supervisory control

¹ *The Board of Trade Journal*, April 11, 1918, p. 429.

² *Gaceta Madrid*, July 14, 1917.

³ *Loc. cit.*, July 28, 1918.

of all mining concessions, already granted or to be granted, for the production of potash salts. Whenever the total national production of potash salts reaches 50,000 tons or more per year, a special office shall be created to regulate such production, and the quantities and proportions to be produced by each mine shall be determined by such office. Spain thus did what Germany did in 1910 through the Imperial Potash Law. Prior to the discovery of the Spanish potash deposits Germany had what practically amounted to an absolute natural monopoly of potash. The agreement of the German Potash Syndicate, which under the above-mentioned law is a compulsory combination, has been renewed until December 31, 1926. For the calendar year 1918 the distribution bureau of the German Potash Syndicate allocated 10,561,000 double cwts. of potash to the home and foreign markets. Of this quantity the foreign markets are to receive 1,375,000 double cwts. The number of constituents of the syndicate is now about 200, over against 151 in December, 1916. The rise in the market value of potash investments during the war may be seen from the fact that the shares of 78 potash corporations quoted in the Rhenish-Westphalian market, whose total quoted value on December 31, 1913, amounted to \$75,025,000, had increased to \$197,030,000 on February 1, 1918.

In conclusion there may be mentioned a bill in the German Reichstag providing for a government monopoly of the production and trade of drinking spirit, and the plan of government ownership of the telephone system of Stockholm, Sweden. A bill in the Swedish Riksdag which has the backing of the government provides for a state monopoly of methylated spirit. The tobacco trade has been made a state monopoly in Sweden. A recent Austrian law gives to the state the right of monopolizing the mining of materials containing phosphoric acid. On March 8, 1915, the German Federal Council initiated measures having in view the formation of a state monopoly of the trade in air nitrates. A Reichstag bill to this effect provides that the state shall monopolize this trade until March 31, 1922, and that the monopoly may be continued after that date.

ANTI-TRUST LEGISLATION

Generally speaking, the policy pursued by state authorities during the war toward combinations in trade and industry has been, if not actually encouraging, at least of a *laissez faire* nature. This is true of the executive as well as of the legislative and judicial branches of the different state governments, and is particularly noticeable in Great Britain, France, and in this country, where the laws and public opinion hitherto have been more or less antagonistic to monopolistic combinations.

The United States Congress in April, 1918, enacted the so-called "Webb Law,"¹ which provides that associations or combinations engaged solely in export trade shall not be illegal under the Sherman Anti-trust Law, provided that such associations are not in restraint of trade within the United States, or responsible for any act which enhances or depresses prices or substantially lessens competition within the United States. All such export associations must register with the Federal Trade Commission, and that agency is directed to carry out the provisions of the law and to report violations to the Department of Justice.

In the United States Supreme Court no important decisions have been made in the so-called anti-trust cases during the war. Hearings which have been pending before that court have been postponed from time to time on account of war conditions. Cases are pending against the United States Steel Corporation, Eastman Kodak Company, Associated Billposters and Distributors of the United States and Canada, American Can Company, Quaker Oats Company, Southern Pacific Company, and the Corn Products Refining Company. In the case against the International Harvester Company, which had been pending in the Supreme Court for several years, an agreement was reached recently. The company agreed to accept the decree issued by the federal court at St. Paul in 1914, which provided for partial dissolution. A decision adverse to the government was upheld by the United States Supreme Court in the case against the United States Shoe Machinery Company on October 28, 1918.

¹ Public Act, No. 126, 65th Congress.

In Great Britain action similar to that provided for in the Webb Law has been proposed by the Committee on Commercial and Industrial Policy after the War. In its final report that committee says:¹

We think that if serious efforts are to be made by British manufacturers and traders to organize themselves on the lines recommended by the various trade committees, it is desirable that some means should be devised for securing to a responsible government department adequate information as to any combinations so formed, and that provisions should be made for state investigation in special cases.

We believe that this would be advantageous to the combinations themselves, since the knowledge that a power of investigation did exist and could be brought into operation wherever adequate cause was shown, would be likely to have a moderating effect upon public opinion. We think that the experience of the war has shown that it is particularly desirable that information as to all international combinations affecting the production of goods in the United Kingdom, or the restriction of the markets in which they may be sold, should be in the possession of some government department. On the other hand, it is in our judgment of great importance that government intervention in our control of the operation of combinations should be carefully restricted to cases in which those operations can be clearly shown to be inimical to national interests. We approve of combinations amongst manufacturers. All such combinations should, where necessary, be legalized, so as to be enforceable between members. We think that combinations, to be useful to the trade of the country, should be upon lines aimed at co-ordinating production, promoting efficiency, economising waste, promoting home trade, facilitating export trade, and unifying selling arrangements. The ideal at which trade combinations should aim is the maximum of production at the minimum of cost.

We accordingly recommend:

(a) That it should be a legislative requirement that all international combinations or agreements (or combinations or agreements which are made directly or indirectly on behalf of foreign interests) to which British companies or firms are parties, made for the regulation of the prices of goods or services, or for the delimitation of markets, should be registered at the Board of Trade by the British persons, firms, or companies concerned, with a statement of the names of all the parties thereto and of the general nature and objects of the combination or agreement; and that all modifications of such agreements and all adhesions and withdrawals should also be notified.

(b) That it should be optional for the parties to any combination or agreement between British firms having for its object joint marketing arrangements, either in the United Kingdom or abroad, or the regulation of prices

¹ London, 1918, p. 39 ff.

or output or the delimitation of markets, to register such combination or agreement at the Board of Trade, with a statement of the names of the parties thereto, and as to its general nature and object; and that such steps as may be necessary should be taken to make any price or other marketing arrangements made by or resulting from combinations and agreements so registered enforceable at law as between parties thereto.

(c) That, in order that the Board of Trade may be able to keep itself fully informed as to the nature, extent, and operations of industrial combinations in the United Kingdom or of international combinations of which British firms, companies, or associations form part, that department should have power to call upon individual consolidations or combines from time to time to furnish for its confidential use such information as it may require.

The British Board of Trade has already taken definite steps to keep the government informed in respect of developments relating to trade monopolies and combinations. Under its reorganized form the Board of Trade comprises a Department of Commerce and Industry, of which Section C covers "Industries and Manufacturers." This section is to deal among other things with "questions of policy connected with trade monopolies and combinations." Section D, covering "Industrial Property," is to deal with "all branches of industrial property from the point of view of commercial and industrial policy, including the protection of the commercial public from the abuse of monopoly."¹

In New Zealand the operations of large foreign concerns interested in the meat business have created public anxiety.

A select committee appointed to investigate the present position and future prospect of the export meat trade of the dominions, particularly with regard to the operations of large foreign companies, has submitted the following recommendations:

1. That legislation be at once passed giving the government power to make it illegal to grant concessions in consideration of exclusive dealing, and to control or prohibit special rebates.

2. That the government promote legislation generally (a) to control monopolies; (b) to prevent unfair trading by freezing companies or shipping companies; and (c) to provide for issuing licenses to freezing works and the business of meat-exporters; (d) dealing with shipping as common carriers; (e) making charges of carriers just and reasonable; (f) preventing undue

¹ *The Board of Trade Journal*, January 17, 1918, p. 66.

preference; (g) prohibiting pooling of freights and earnings; and (h) providing that common carriers shall print and exhibit schedules.

3. That the government should forthwith consider a scheme for (a) controlling the export of frozen meat after the war, and, (b) in conjunction with the imperial government, the distribution of meat in the United Kingdom. (This is necessary to prevent the exploitation of the producer or consumer by meat trusts.)

4. That effective measures should in the interests of the British consumer be taken by the imperial government to control the prices of released meat in the United Kingdom.

5. That the government, either in conjunction with the home government or the New Zealand producer, consumer, and importer, or with all of these parties, should establish a controlling interest in the freights and shipping between New Zealand and the United Kingdom.

6. That the government should, in the interests of the small producer, and in view of the probable serious shortage of storage space, take power to prevent large buyers monopolizing space in freezing works during the war.

7. That special care be taken to see that foreign firms and their agents, and also companies registered in New Zealand with small capital, which carry on large business by means of outside financial support, shall not escape taxation on the grounds that small, if any, profits are made on their trading in the Dominion. Provision should be made that such firms shall be taxed to an amount not less than is paid by New Zealand firms not so financed or controlled.

THE FUTURE

The world-convulsion that we are witnessing today has brought in its train new trading and manufacturing situations which present problems never faced before. Commercial *ententes* between nations for the control of raw materials, control of production and distribution of some of the most important commodities by powerful combinations of private interests, huge agglomerations of capital in the hands of a few banking groups, the formation of gigantic capitalistic trading corporations—these are some of the economic outgrowths of the war. By common consent international competition for the trade of the globe will become a far more serious matter in the early future than at any previous period in history. Where before the war we witnessed competition among comparatively small groups, commercial giants are now preparing to measure their strength on the trade routes and in the markets of the world.

It will constitute a problem for our statesmen to solve in how far the public interest will have to be protected by national legislation against dumping, by tariff laws, etc., or by international agreements for the protection of industrial property, etc. Unbridled competition of a kind threatened by the developments outlined in the foregoing pages is bound to develop into a source of friction and ill-feeling among the nations of the world in whom the long years of war have created a deep yearning for a lasting peace.

WILLIAM NOTZ

WASHINGTON, D.C.